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*News Release*

81 Wellesley Street, East  
Toronto, Ontario  
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TORONTO, Oct. 5, 1976 ..... Because of Canadian tariff policies, consumers are paying more for manufactured products, according to a research study commissioned by the Ontario Economic Council and made public today.

The study, Tariff and Science Policies: Applications of a Model of Nationalism, also makes the points that:

- federal policies in the tariff and science area contribute to the high cost, low productivity position of domestic manufacturing, and thus hinder the development of export markets for Canadian manufactured products.
- tariff policies benefit the managerial and higher educated members of the labour force.
- in addition to consumer price increases, nationalist policies also reduce real incomes below potential.
- tariff policies have an important depressing influence on the levels of productivity in Canada.
- nationalist policies in technological development encourage production inefficiencies, raise prices to the consumer and benefit only a relatively small group of professionally-trained Canadians.

The authors of the research study, Donald J. Daly and Steven Globerman, both members of the Faculty of Administrative Studies at York University, have assessed government measures regarding tariffs and science policies, and their influence on prices, national output and income distribution within the framework of economic nationalism. Where possible, comparisons have been made with the United States, using statistics where available.

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Daly and Globerman maintain that most Canadians are generally unaware that the costs of such policies of nationalism are borne more heavily by wage-earners and lower income workers than by higher-income professional and managerial personnel. Canada's protectionist science policies, under which technology research is conducted mainly by nationals and production by Canadian-owned plants, provide job opportunities to Canadian scientists and engineers, as well as to Canada's "scarce" pool of managerial talent. Because of the general public's lack of understanding of these policies, the individual consumer is not concerned enough to contact his elected representative. "However, it could be quite important for a middle-level or senior manager," the report says, "to take an active interest in protecting the existing corporate strategy and his personal function in a protected environment."

The report concludes that tariff reduction or elimination would provide important benefits to Canadians in increased real income and lower consumer prices. The authors maintain that competition would increase, encouraging Canadian manufacturers to operate more efficiently and to specialize in higher-volume production, rather than the current proliferation of a wide range of low-volume products. "In a country with a small population and labour force," say the authors, "it is not really possible to keep up to date in all areas of manufacturing. It may be preferable to concentrate resources on a more limited range of products in which Canada has a comparative advantage."

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This is the first Canadian study dealing with the interrelationships between tariffs, on the one hand, and research and development and diffusion of technology, on the other.

(Selected quotes attached.)

For further information, contact:

G.L. Reuber, Chairman, Ontario Economic Council 519-679-3711

Donald Dawson, Research Director, Ontario Economic Council 416-965-4315

D.J. Daly, author, York University 416-667-2359

S. Globerman, author, York University (on leave this year)

Hilda Wilson, public relations, 416-481-4438

The publication is available at \$6 a copy from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario M7A 1N8 or the University of Toronto Press, 5201 Dufferin Street, Downsview, Ontario M3H 5T8.



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SELECTED QUOTES FROM:

TARIFF AND SCIENCE POLICIES: APPLICATIONS  
OF A MODEL OF NATIONALISM

"Using the United States as a basis of comparison, this theoretical analysis suggests that nationalistic policies would raise prices to consumers, and lower real incomes of urban workers below potential. On the other hand, the beneficiaries of the tariff would be the managers and more highly educated members of the labour force." (page 3)

"Tariffs also have an important depressing influence on the levels of productivity in Canadian manufacturing. This is associated with plant sizes which are less than optimum scale in a larger market, and with a wider range of products being produced in Canadian plants of a given size than in the comparable industry in the United States." (page 3)

THE COSTS OF TARIFFS:

"One of the traditional costs of tariffs is the welfare loss to consumers from higher prices of manufactured products, apart from the income transfer to the government from tariff collections. A further cost that can be distinguished is on the production side. Tariffs can lead to lower levels of output per person employed and lower real incomes to those employed in manufacturing by encouraging home (domestic) production to replace imports." (page 14)

"Canada, with a population of about 22 million, is almost the only industrialized country in the western world without access to a large, free-trade market. Size of markets for manufactured products is an important factor in productivity and costs..." (page 15)





#### CANADIAN MANAGERIAL POOL:

"The proportion of the Canadian labour force with a university degree...has been appreciably lower than in the United States...There has also been a much lower proportion of undergraduate and graduate students taking business administration in Canada than in the United States." (page 35)

#### DISTRIBUTION OF INCOMES:

"There is little doubt that more employment is generated to produce a given level of output of manufactured products than would be created in the United States. However, there are also demand effects to be considered. The aggregate demand for output... would be stimulated by the much higher level of real income in the Canadian economy. Demand for manufactured products would also be stimulated by the decline in manufactured goods prices relative to the prices of other goods and services." (page 42)

"The tariff could have some stimulative effects on employment and wages in manufacturing when introduced, for the short term. However, the longer-term effects are clearly a lower real income per person employed, while the longer-term effects are clearly a lower real income per person employed, while the longer-term effects on total employment and total population are more uncertain. Furthermore, the employment effects, if any in total, could be achieved with less adverse repercussions on real income." (page 43)

#### EXPORTS:

"The high cost, low productivity conditions that have developed in Canada behind a domestic tariff would preclude entry into the large, high income market adjacent in the United States and inhibit long runs, lower cost, and potential export sales there." (page 45)

"The much smaller, protected Canadian market is too small to absorb longer runs of a few product items. Under free trade, it is possible that many more small firms and plants would develop in Canada to serve the whole North American market, and market size would cease to be a significant limiting factor as it has been." (page 51)



"It is not just the presence of tariffs in the U.S. that limits exports or reduces the prices to potential exporters....a point that most Canadians accept. The presence of a Canadian tariff encourages higher prices for manufactured products and high cost, low productivity within domestic manufacturing. Even if American tariffs were eliminated, the continuance of Canadian tariffs would permit a continuance of high domestic costs..." (page 59)

#### NATIONALIST SCIENCE POLICY:

"An industrial science policy consistent with economic nationalism would emphasize in deed, if not in word, the transference of technology-oriented job opportunities, both research and administrative, from non-nationals to nationals.....Canadian scientific and technical workers, the suggested prime beneficiaries of science policies, have above average incomes, while inefficiencies resulting from the selected policies will impose costs primarily upon consumers and lower-income workers." (page 69)

"The federal government has placed a significant emphasis on the employment of national scientific and technical workers with less concern for allocative efficiency.... Canada has opted for a more labour-intensive research and development process than have most other countries..." (page 79)

"Employed scientific and technical workers had incomes in 1970 that were 60 to 70 per cent higher than incomes earned by all employed workers. It is evident that policies which promote income transfers from consumers, that is, all employed workers, to scientific workers would be income regressive." (page 80)

#### DIFFUSION OF TECHNOLOGY:

"While initial adoption levels in the tool and die industries in the United States and Canada were roughly equal, NC (numerical control) use spread more rapidly in the American industry than in Canadian." (page 88)

"Various government incentive programs do little to encourage explicitly more rapid adoption of existing technology developed abroad. Indeed, through the maintenance of protective tariffs, this process for transferring technology is actually discouraged." (page 95)





STEVEN GLOBERMAN

Steven Globerman is an Associate Professor in the Faculty of Administrative Studies, York University. He has taught courses in micro and macro economics, statistics, stabilization policy, industrial organization and government regulation.

Recent research includes economic assessments of research and development, technological diffusion in Canadian manufacturing, and economics of performing arts organizations.

He was born in New York City and studied economics at Brooklyn College, the University of California and completed his Ph.D. at New York University.

He joined York University in 1970.





DONALD J. DALY

Donald J. Daly is a Professor in the Faculty of Administrative Studies, York University. His teaching has covered economic forecasting, stabilization policy and international economics. He recently became the Director of the Public Administration Programme in the Faculty of Administrative Studies at York University. Recent research includes work on the competitive position of Canadian manufacturing and Japanese economic growth. His research and teaching both reflect his twenty years of experience with the federal government in Ottawa (the latter part with the Economic Council of Canada) before joining York University in 1969.

He was born in Edmonton, Alberta and was in the Canadian Navy during the Second World War. He studied economics, political science and commerce at Queen's University, and completed his Ph.D. at the University of Chicago.

